GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7874
ANSWERED ON:17.05.2002
AUDIT OF COOPERATIVE BANKS
CHANDRA NATH SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether the RBI had directed all scheduled Primary (Urban)Cooperative banks to conduct a special audit of their Government securities transactions by Chartered Accounts;

(b) if so, the details thereof alongwith reasons therefore; and

(c) the steps taken/proposed to be taken by the RBI to ensure that Urban Cooperative banksshould enswe strict com.pliance with the instruction issued by it for the purchase and sale of Government securities?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) & (b): Yes, Sir. Reserve Bank of india (RBI) has reported that it has advised all scheduledurban cooperative banks in April, 2002 to cause a special audit of the secwities transactions undertaken by them by a Chartered Accountant and to place the report of the special audit before the Audit Committee of the Board, or before the Board of Directors of the bank, incase the bank has not constituted any Audit Committee, together with a certificate to the effect that the bank. has strictly adhered to the instructions issued by the RBI fortransactions in Government securities. This has been done to enswe that all the extantinstructions issued by RBI in this regard have been complied with.

(c): Based on the findings of the rapid scrutiny of the books of the urban cooperative banks, RBi has taken several steps. These include restricting the role of the broker to bringing the two banks together with the settlement of the transaction being undertaken directly between the banks, calling of explanations from banks which have exceeded the 5% norm. for dealing through an individual broker to show cause as to why penal action should not be .taken against them, causing a special audit of securities transactions by a Chartered Accountant, requesting the Registrar of Cooperative Societies of some States to cause a special audit of the securities transactions undertaken by the Urban Cooperative Banks (UCBs) and to take appropriate action in this regard, etc.